



AMERICAN COMPACTION SYSTEMS, INC.

FINANCIAL STATEMENTS

WITH ADDITIONAL INFORMATION

YEAR ENDED DECEMBER 31, 2003

CONFIDENTIAL
JPMC 0026376

AMERICAN COMPACTION SYSTEMS, INC.

FINANCIAL STATEMENTS

WITH ADDITIONAL INFORMATION

YEAR ENDED DECEMBER 31, 2003

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AMBROSE & SAVOLSKIS LLP
3 HARDING ROAD
RED BANK, NJ 07701
732-741-4999

Independent Auditor's Report

To the Board of Directors

American Compaction Systems, Inc.

We have audited the accompanying balance sheet of American Compaction Systems, Inc. (an S Corporation), as of December 31, 2003 and the related statements of operations, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Compaction Systems, Inc. as of December 31, 2003 and the results of operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Additional Information on page 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 15, 2004

David J. Ambrose

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AMERICAN COMPACTION SYSTEMS, INC.

BALANCE SHEET

DECEMBER 31, 2003

A S S E T S

CURRENT ASSETS

Cash in bank (Deficit) (Note 2)	\$ (49,963)
Accounts receivable	<u>696,186</u>

TOTAL CURRENT ASSETS

646,223

FIXED ASSETS, at cost, less accumulated
depreciation (Notes 1 & 4)

379,934

OTHER ASSETS

Security deposits	<u>7,292</u>
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TOTAL ASSETS

\$ 1,033,449

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The accompanying notes are an
integral part of these financial statements.

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AMERICAN COMPACTION SYSTEMS, INC.

BALANCE SHEET

DECEMBER 31, 2003

LIABILITIES

CURRENT LIABILITIES

Current portion of long term debt (Note 5)	\$ 299,864
Accounts payable and accrued expenses	37,465
Line of credit	35,297
Taxes payable	8,584

TOTAL CURRENT LIABILITIES	<u>381,210</u>
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DUE TO AFFILIATIES	<u>1,205,074</u>
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LONG-TERM DEBT, less current portion (Note 5)	<u>375,425</u>
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LOANS FROM STOCKHOLDER (Note 3)	<u>1,211,121</u>
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COMMITMENTS AND CONTINGENCIES (Notes 2, 3, & 5)

STOCKHOLDERS' EQUITY

CAPITAL CONTRIBUTED

Common stock, no par value, 100 shares issued and outstanding	10,000
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RETAINED EARNINGS (DEFICIT)	<u>(2,149,381)</u>
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TOTAL STOCKHOLDERS' EQUITY	<u>(2,139,381)</u>
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TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u>\$ 1,033,449</u>
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The accompanying notes are an
integral part of these financial statements.

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AMERICAN COMPACTION SYSTEMS, INC.
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
 YEAR ENDED DECEMBER 31, 2003

REVENUES	\$ 2,215,463
OPERATING EXPENSES	
Operating and administrative	<u>3,125,976</u>
NET LOSS FROM OPERATIONS	(910,513)
DEPRECIATION	<u>(253,291)</u>
NET LOSS	(1,163,804)
RETAINED EARNINGS (DEFICIT) - BEGINNING	<u>(985,577)</u>
RETAINED EARNINGS (DEFICIT) - ENDING	<u>\$ (2,149,381)</u>

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The accompanying notes are an
 integral part of these financial statements.

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AMERICAN COMPACTION SYSTEMS, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2003

OPERATING ACTIVITIES:

Net Loss	\$ (1,163,804)
Add expenses not using working capital:	
Depreciation	<u>253,291</u>
Funds used by operating activities	(910,513)
Add (deduct) changes in non-cash working capital:	
Increase in accounts receivable	(66,582)
Decrease in accounts payable and accrued expenses	(97,886)
Increase in current debt	45,863
Decrease in line of credit	(17)
Decrease in taxes payable	<u>(4,978)</u>
Cash and cash equivalents used by operating activities	(1,034,113)

INVESTING ACTIVITIES

Decrease in security deposits	7,800
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FINANCING ACTIVITIES

Decrease in long-term debt	(243,221)
Increase in loans payable stockholder	83,131
Increase in due to affiliates	<u>1,205,074</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	18,671
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>(68,634)</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ (49,963)</u>
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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ <u>29,433</u>
Cash paid during the year, (See Note 1), for income taxes	\$ <u>525</u>

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AMERICAN COMPACTION SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENT

YEAR ENDED DECEMBER 31, 2003

(1) Summary of significant accounting policies

Depreciation and related matters - Depreciation of property and equipment is computed using applicable Federal income tax methods which primarily are accelerated methods over lives as specified by Federal tax laws and regulations. Expenditures for normal maintenance and repair are charged to income as incurred. Upon the sale or retirement of properties and equipment, the cost and accumulated depreciation are removed from their respective accounts and any gain or loss is included in income.

Income taxes - Deferred income taxes are provided for differences in timing in reporting income for financial statement and tax purposes, arising from differences in the method of accounting under accrual versus the cash methods (tax basis).

S Corporation, Income Tax Status - The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporation income taxes, the shareholders of a Subchapter S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision for Federal or State income taxes has been included in the financial statements.

Use of estimates - The preparation of financial statement in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The actual results could differ from those estimates.

(2) Contingencies

The company maintains its cash balances in one financial institution, the Bank of New York. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000.

(3) Related party transactions

Loans from stockholder

This is an interest-free loan from Dominick Colasuonno to American Compaction Systems, Inc. The outstanding balance has been classified as a long term liability because demand for repayment is not anticipated within the current year. The balance as of December 31, 2003 is \$1,211,121.

AMERICAN COMPACTION SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENT

YEAR ENDED DECEMBER 31, 2003

(4) Fixed Assets

Fixed assets consist of the following:

Cost		
Equipment	\$	1,251,845
Accumulated depreciation		<u>871,911</u>
Net fixed assets	\$	<u><u>379,934</u></u>

(5) Long-term debt

Note payable to Integrated Vehicle, Inc. due October 2007, payable in monthly installments of \$3,525, including interest collateralized by equipment.	\$	148,088
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Note payable to the Intergrated Vehicle, Inc. due August 2006, payable in monthly installments of \$3,134, including interest collateralized by equipment.		90,885
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Note payable to the All Points Capital due September 2006, payable in monthly installments of \$2,829, including interest collateralized by equipment.		87,698
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Note payable to the All Points Capital due September 2006, payable in monthly installments of \$2,497, including interest collateralized by equipment.		74,920
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Note payable to the Intergrated Vehicle, Inc. due March 2006, payable in monthly installments of \$2,667, including interest collateralized by equipment.		66,679
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Note payable to All Points Capital due February 2007, payable in monthly installments of \$1,670, including interest collateralized by equipment.		60,477
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Note payable to the All Points Capital due December 2006, payable in monthly installments of \$3,957, including interest collateralized by equipment.		55,403
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Note Payable to the Bank of New York due December 2005, payable in monthly installments of \$1,970, including interest at 8.95% personally guaranteed by the stockholder of American Compaction Systems, Inc.		42,922
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Note payable to the Bank of New York due October 2005, payable in monthly installments of \$1,866, including interest collateralized by equipment.		37,733
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AMERICAN COMPACTION SYSTEMS, INC.

- NOTES TO FINANCIAL STATEMENT

YEAR ENDED DECEMBER 31, 2003

(5) Long-term debt cont'd

Note payable to Sovereign Bank due September 2004, payable in monthly installments of \$1,498, including interest collateralized by equipment.

		<u>10,484</u>
Total debt	\$	675,289
Less current debt		<u>299,864</u>
Non current portion	\$	<u><u>375,425</u></u>

Scheduled principal repayments of long-term debt, assuming no changes in their terms are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2004	\$ 299,864
2005	223,375
2006	126,143
2007	<u>25,907</u>
Total	<u><u>\$ 675,289</u></u>

(6) Line of Credit

The company has a \$35,000 line of credit with the Bank of New York of which \$35,297 was drawn at December 31, 2003 and expires June 30, 2004.

ADDITIONAL INFORMATION

AMERICAN COMPACTION SYSTEMS, INC.

ADDITIONAL INFORMATION - STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2003

OPERATING AND ADMINISTRATIVE

Dumping fees	\$	1,265,719
Salaries		556,362
Insurance		301,269
Repairs		197,548
Equipment rental		192,491
Fuel		137,980
Rent		106,882
Payroll taxes		60,999
Commissions		60,925
Supplies		51,506
Telephone		38,719
Professional fees		37,926
Truck expense		31,318
Interest expenses		29,433
Licenses and permits		26,871
Bank charges		10,479
Utilities		8,742
Highway use tax		4,672
Printing and reproduction		3,029
Miscellaneous administration		2,581
State and local franchise tax expense		525
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	\$	<u>3,125,976</u>

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The accompanying notes are an
integral part of these financial statements.

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